

**Amendments to the Claims:**

1. (Currently amended) A method of transferring digital works from one user to another user comprising:

associating usage rights, transfer permission information, and a current user identification flag, with digital content;

electronically distributing a digital work including the content to a first user in accordance with the usage rights and setting the current user identification flag to correspond to the first user; and

transferring the digital work to a second user and setting the current user identification flag to correspond to the second user, wherein usage rights are allocated based on a percentage partially allocated between the first user and the second user.

2. (Original) A method as recited in claim 1, wherein said transferring step comprises changing the usage rights in accordance with the transfer to the second user.

3. (Original) A method as recited in claim 2, wherein said changing step comprises changing the usage rights to permit use of the content by the second user and to prohibit use of the content by the first user.

4. (Original) A method as recited in claim 1, further comprising receiving notification that the user desires to distribute the digital work to a second user.

5. (Original) A method as recited in claim 1, wherein said transferring step comprises transferring usage rights without change for remaining usage period of time to the second user.

6. (Original) A method as recited in claim 2, wherein said transferring step further comprises downloading the content from the first user to the second user.

7. (Original) A method as recited in claim 2, wherein said transferring step further comprises downloading the content from a distributor to the second user.

8. (Original) A method as recited in claim 1, further comprising checking for transfer permission prior to said transferring step.

9. (Currently amended) A system for transferring digital works from one user to another user comprising:

digital content;

a usage rights module containing usage rights information associated with the content for a first user;

a transfer permission module containing transfer permission information for the content;

a current user identification module containing identity information indicating the identity of the first user; and

means for manipulating said current user identification module to change the current user identification flag of the identity information from a current user to a second user upon transferring the content from the first user to the second user, wherein usage rights are allocated based on a percentage partially allocated between the first user and the second user.

10. (Original) A system as recited in claim 9, further comprising means for changing the usage rights in accordance with a change in identity information.

11. (Original) A system as recited in claim 9, wherein said usage rights module and said digital content are encrypted.

12. (Original) A system as recited in claim 11, wherein said usage rights module and said digital content are attached to one another as an encapsulated element.

13. (Original) A system as recited in claim 12, wherein said transfer permission module and said current user identification module are located remotely from said encapsulated element.

14. (Currently amended) A ~~method~~ system as recited in claim 9, wherein said means for manipulating said current user identification module is responsive to a notification that the first user desires to distribute the digital work to a the second user.